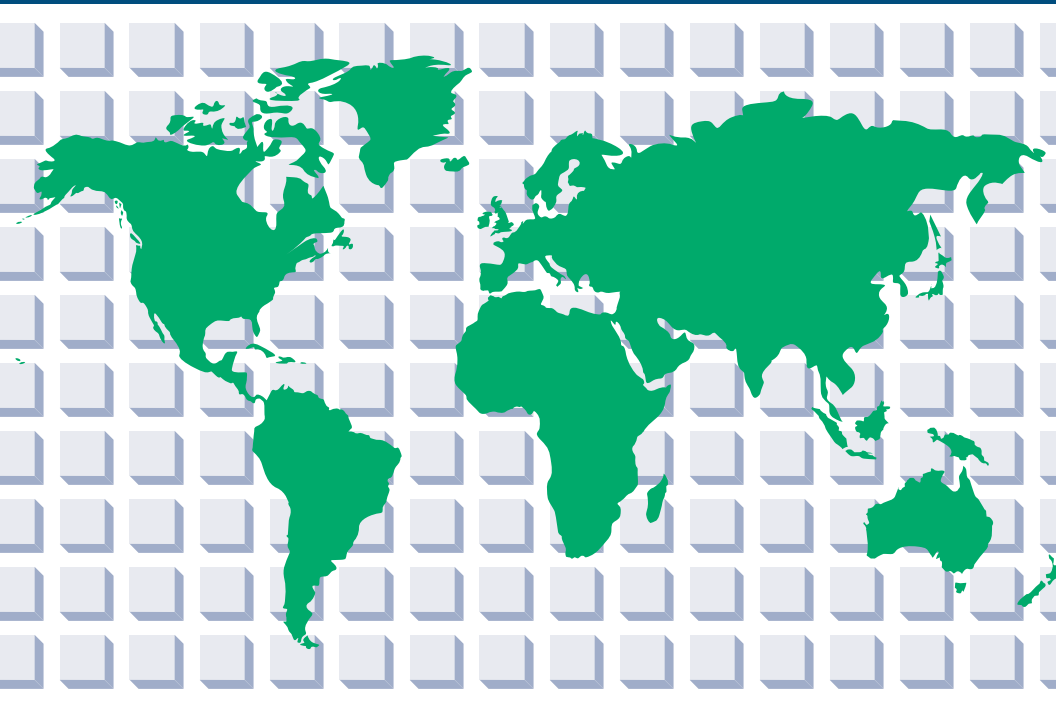


AMERICA AND THE WORLD TRADE ORGANIZATION



UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT

TRADE BENEFITS AMERICA'S WORKERS & FAMILIES

The United States was a leading force in establishing the World Trade Organization (WTO) in 1995. The WTO is an international institution in which we negotiate agreements to reduce barriers to trade with 134 other members, allowing American businesses, farmers and working people to find new opportunities, create new jobs, and raise family living standards. The WTO is also a forum for countries to enforce trade agreements and continue negotiations toward expanding world trade opportunities.



Under WTO rules, foreign nations assure us greater access to their markets, and are constrained from giving their workers and firms unfair advantages through subsidies and protectionist domestic policies. At the same time, WTO rules recognize and respect governments' right to maintain high standards for the environment, labor, health, and safety. The trade gains that the United States has won through the WTO Agreements and other trade policies have been a major contributing factor to our thriving economy. Studies estimate that the effect of full implementation of the WTO Agreements will be to *boost U.S. GDP by \$125-250 billion per year* (in 1998 dollars). We have a great stake in further expanding opportunities for U.S. companies and workers in manufacturing, agriculture, and services industries through the WTO.

Did You Know:

Promoting U.S. exports and jobs

- WTO rules lower trade barriers abroad and help us export more of our goods and services to other countries.
- On average, every billion dollars of goods and services exports results in thousands of jobs here at home.

- Between 1994 and 1998, 1.3 million new jobs supported by exports of goods and services have been created in the United States. Over the same period, total U.S. employment increased by 11.7 million jobs, and the unemployment rate declined from 6.1% to 4.5%.
- Jobs supported by goods exports pay 13-16% *above* the average wage.
- Today, industrial production in the United States is over 34% higher than it was in 1992. This compares to a 3.5% increase in Germany and a .5% decline in Japan. Between 1992 and 1998, manufacturing productivity was up nearly 4% per year, and manufacturing jobs increased by over half a million.
- Benefitting from new opportunities created by WTO rules, over one-third of U.S. agricultural production was exported in 1998, with a value of \$52 billion.
- The services sector—including retailing, transport, construction, insurance, finance, accounting, advertising, computer services, tourism, engineering, and environmental services—accounts for over 60 percent of the U.S. economy, and 80 percent of our jobs.
- Helped by WTO services rules, the United States leads the world in trade in services with over \$264 billion in exports annually. It is the fastest growing sector in our economy and provides the greatest number of new jobs.

Raising living standards for all Americans

- The creation of higher-paying jobs supported by trade raises living standards for tens of thousands of American households.
- Trade barriers, by making goods and services more expensive, cost you money at the store. In 1990, prior to the WTO, private sector studies estimated that trade

protection cost U.S. consumers approximately *\$70 billion per year*. Our commitment to open markets has led to more affordable prices and a greater variety of the things that we purchase everyday, in the grocery shopping cart and for household goods, such as clothes, autos, toys, and consumer electronics. The standard of living improves for all Americans, but particularly for low-income families, since lower prices mean that your paycheck goes further in the marketplace.

- The WTO Agreements result in lower prices for business and consumer products. By the time that the Agreements are fully implemented in 2005, the *annual* effect will be equivalent to an increase of \$1500-\$3000 in purchasing power for the average American family of four.

What is the World Trade Organization?

BACKGROUND

The prosperity and economic growth of our nation rests in large part on our ability to sell the goods and services we produce to consumers everywhere. The World Trade Organization (WTO), with its system of rules, helps the United States achieve this purpose. During the Great Depression, nations often kept out each other's products with tariff walls, resulting in fewer jobs and less economic growth for everyone. During the postwar era, successive "Rounds" of international trade negotiations created a more open and fair world economy, raising growth and living standards worldwide. The most recent round, the "Uruguay Round," created the WTO in 1995. The WTO is an international institution and a forum for negotiating, administering, and enforcing a set of agreements to reduce barriers to trade among the United States and 134 other members. Based in Geneva, Switzerland, it succeeds the General Agreement on Tariffs and Trade (GATT) founded after World War II, which began the process of lowering trade barriers around the globe.

The WTO expands and improves upon the GATT. It has more members, further reduces trade barriers, and expands fair trading rules in more areas.

BENEFITS OF THE WTO

The United States sought and obtained in the WTO a set of agreements by other governments to open their markets and lower barriers to U.S. exports. The Agreements establish rules for trade in manufactured goods, agricultural products, services, and intellectual property; reduce tariffs; limit the use of trade-distorting subsidies; promote the sustainable use of natural resources; and reduce unfair obstacles to trade embodied in



product standards, customs procedures and other measures.

Under these rules, other countries commit not to block U.S.

exports through higher tariffs and other restrictions on trade, and agree to abide by fair trading practices that safeguard U.S. workers and firms. WTO rules ensure market access for the products Americans design, produce, and deliver, while recognizing and respecting governments' right to maintain high standards for the environment, labor, health, and safety. When governments follow a common rule book it makes trade easier and more efficient, and ensures that our workers and companies, the most productive in the world, can compete with others on a level playing field. Thus, since the creation of the WTO, our exports of goods and services have risen by over \$300 billion, meaning new jobs and business opportunities all across our economy.

RESOLVING TRADE DISPUTES

To ensure that the United States secures the full benefits of the WTO Agreements, the United States sought and obtained a strong, binding and expeditious dispute settlement process for

the WTO. The WTO dispute settlement process provides certainty for American businesses and workers that their disputes will be heard by a panel of impartial experts, and that the defending foreign government will not be able unilaterally to derail the process. As a result, under the WTO we have better enforcement of U.S. rights and more certainty that our trading partners will abide by the rules and open their markets to American exports. The WTO dispute settlement process has proven valuable in achieving tangi-



ble gains for American companies and workers, across a broad range of sectors, including agriculture, manufacturing, services and intellectual property protection. It has also served as a deterrent—our trading partners know it is ready and available to us if they do not fulfill their obligations. We have been successful in reaching rapid resolution of our complaints through early settlement, and have also achieved substantial benefits from litigation and resulting panel decisions which enforce our rights. The United States is working within the WTO to ensure that the dispute settlement mechanism is more effective in securing prompt compliance.

PROMOTING DEMOCRATIC VALUES

More broadly, the WTO also assists in advancing democratic values. Countries that subscribe to WTO rules are obliged to follow the rule of law in commercial transactions, with the result that WTO members' policies are more transparent and less arbitrary. Disputes are to be settled peaceably and efficiently under WTO provisions. Open markets and regulatory due process also increase the freedom of individuals to reap the rewards of their labor, and to maximize the economic benefit of their talents and creativity. Last, the WTO's broad net-

The WTO Agreements provide for:

- a one-third reduction of foreign tariffs on manufactured products. Tariffs are now at their lowest levels in history;
- greatly expanded export opportunities for U.S. agricultural products. WTO rules limit the ability of foreign governments to restrict agricultural trade through tariffs, quotas, subsidies, and a variety of other policies and regulations;
- increased foreign market access for U.S. exporters of services. These sectors include telecommunications, finance, accounting, advertising, computer services, tourism, engineering, and construction;
- intellectual property rights protection for U.S. entrepreneurs, in industries such as pharmaceuticals, entertainment, and software. WTO rules help combat piracy in world markets; and
- an effective set of rules for the prompt settlement of disputes between WTO members.

The WTO Agreements do not and will not:

- preclude the United States from establishing and maintaining its own laws;
- impair the effective enforcement of U.S. laws, including laws to combat unfair imports; or
- limit the ability of the United States to set our environmental, labor, health, and safety standards at the level we consider appropriate.

work of trade agreements contributes to stability, prosperity, and principles of openness among its members.

BETTER JOBS, HIGHER LIVING STANDARDS, AND ECONOMIC OPPORTUNITY FOR AMERICANS THROUGH THE WTO

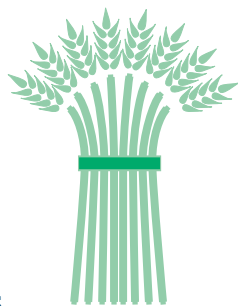
Obstacles to trade hinder economic growth and development. Perhaps the most prominent case in point is the Great Depression of the 1930s, which was severely worsened when countries erected tariff barriers in response to the financial crisis. The painful economic lessons of this era prompted the United States and other countries to reverse the protectionist course and begin dismantling trade barriers in the wake of the Second World War. The General Agreement on Tariffs and Trade, which entered into force in 1948, initiated several successive rounds of tariff reductions. These rounds resulted in industrial tariffs being reduced by 90%, from an average of 40% to just 4% following the Uruguay Round, and reduced or eliminated numerous other barriers to trade.

Now, building upon the tradition of trade liberalization which the United States has pursued over the last 50 years, our government has taken the lead at the WTO to craft agreements which benefit American workers, companies, and consumers, by removing remaining tariff and non-tariff barriers to trade with foreign countries and ensuring market access for U.S. products.

We do this because our domestic market alone, although it is large, has only a limited capacity to absorb the products which American firms and workers make. Ninety-six percent of the world's population and nearly four-fifths of the world economy are outside of U.S. borders. For manufacturing companies to produce efficiently and give additional resources to research and development, or for farmers to market their crops profitably, we must be able to export. When we are able to sell the goods, services, and agricultural products we produce to foreign

consumers, we increase sales and profits for American firms and farms and create jobs for American workers, as more are hired to meet the increased demand.

The WTO helps us take advantage of these opportunities. As we reduce foreign tariffs, eliminate quotas, and require foreign governments to publish regulations and apply them impartially, we allow American workers, businesses and farmers to sell to larger markets. As a result, since the creation of the WTO at the end of 1994, U.S. goods exports have risen by \$170 billion and services exports by \$65 billion. This in turn means that, in part due to the opportunities created by the WTO Agreements, the number of jobs for U.S. workers supported by exports has increased by 1.3 million since 1994.



Furthermore, export-related jobs are concentrated in the high-wage, high-skill fields that help raise living standards for American families. These jobs pay 13-16 percent more than the average wage. Almost 10 percent of all U.S. jobs, nearly 12 million jobs, now depend on our ability to export to the world. For example, Americans are extremely competitive in exporting wheat, tractors, aircraft, chemicals, medicines, computer software, and artistic creations such as sound recordings, movies and TV programs.



Moreover, millions of American jobs also depend on our ability to import goods from around the world. At home, dockworkers unload containers in U.S. ports every day. Truck drivers transport imported goods to distribution centers and points of sale. Retailers stock clothes, shoes, and accessories from other countries, in addition to domestic goods, to satisfy customer demand. Likewise, grocery stores display a broad array of imported and domestic foods on their shelves. American facto-

ry workers frequently require imported parts to produce finished products. Thus, in the United States' modern and diversified economy, imports also fuel substantial job creation at home.

Imports also yield significant consumer benefits for America's workers and families. When countries abroad sell their products

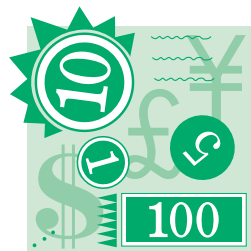


to us, the variety and quality of goods available to consumers and businesses increases and the prices of goods decline due to greater competition. Every day, Americans have the opportunity to buy coffee and tea, fresh fruits and vegetables year round, and consumer products such as toys, kitchen appliances, and other

household items produced in other countries. In this way, the lowering of tariffs and trade barriers, as a result of the WTO Agreements, expands consumers' freedom of choice. The standard of living improves for all Americans, but particularly for low-income families, since lower prices mean that your pay-check goes further at the supermarket or the department store.

Since the WTO Agreements reduce or eliminate government surcharges (tariffs) on the products that we consume, the effect is equivalent to a global tax cut which the World Bank estimates at about \$100-\$200 billion dollars per year.

About two-thirds of these cost-reduction benefits accrue to advanced industrial countries, such as the United States, where consumption is greatest.



At the same time, the WTO Agreements serve to dismantle barriers to American exports. Between 1992 and 1997, nearly one third of U.S. economic growth derived from increased exports to the world.

However, in 1998 the global financial crisis and severe recessionary conditions in some of our major trading partners had a temporary negative impact on U.S. exports. Despite these

unfortunate circumstances abroad, the U.S. economy continued to expand at a rate of nearly 4% in 1998. It is important to recognize that the WTO has played a significant role in ensuring that countries do not resort to trade restrictive practices during these difficult times. In this manner, the WTO's work contributes to the stability of overseas markets. As our foreign trade partners recover, renewed export growth will create opportunities for businesses to invest more, thus stimulating long-term economic growth and technological innovation at home and abroad.

THE TRADE AGENDA AHEAD: THE WTO MINISTERIAL CONFERENCE IN SEATTLE, WASHINGTON

November 30 - December 3, 1999

In May 1998, WTO members meeting in Geneva accepted President Clinton's invitation for the United States to host the 3rd WTO Ministerial conference. This is an historic opportunity for the United States to exercise leadership in setting the trade agenda for the next century, much as we did after World War II. Trade ministers from over 160 countries will convene in the city of Seattle, Washington to engage on a broad range of trade topics. President Clinton has called for and we expect to launch at Seattle a new round of trade negotiations to reduce trade barriers, and expand exports of agriculture, services, and manufactured products. The range of WTO work will expand to address emerging issues in the trade arena.



This Round, to begin at the end of the year, will establish a new approach to global trade negotiations, including:

- An “accelerated” negotiating framework designed to deliver new commercial opportunities in agriculture, goods, and services over a three year timetable;

- Key institutional reforms to broaden participation in the WTO and increase openness and accountability; address important concerns such as capacity-building to help lesser-developed countries become integrated in the global economy; and broaden the trade agenda to include labor and environmental matters; and
- An action-oriented agenda leading up to the WTO Ministerial. This will include work on issues vital to our economic future, such as electronic commerce, expanding membership of the WTO, and improvement of the dispute settlement process.

The timing of the Ministerial meeting is particularly important, as the multilateral trading system today faces formidable challenges. First, in light of the situation in Asia and the global economy, we must work to keep foreign markets open and to restore economic growth. Second, expanding WTO membership is of strategic significance to the United States. There are currently 32 applicants for WTO accession, accounting for 11% of world trade, and these represent important markets for U.S. goods and services exports. Accession to the WTO, in turn, will support the new members in their transition to stable and market-based economies. Third, President Clinton has called for a WTO trading system that is more open and transparent to citizens, and that supports environmental protection and core labor standards. Finally, the WTO must address the technological revolution in areas such as electronic commerce, and work to ease the development and commercialization of beneficial scientific advances. The 1999 WTO Ministerial Conference provides an unparalleled opportunity for the United States to lay the foundation for these and other critical tasks in the coming years, and to build upon an international framework of trade rules that promotes the prosperity of all Americans.

QUESTIONS AND ANSWERS

Q: *Do WTO rules or dispute settlement affect U.S. sovereignty?*

A: The decision of the United States to negotiate voluntarily and enter into an agreement that expands trade and creates jobs is an exercise of sovereignty, not a surrender of it. In today's world, this makes us an effective international player.

The United States also benefits from WTO dispute settlement by having a set of rules to hold other countries accountable for their trade actions. At the same time, our government was careful to structure the WTO dispute settlement rules to preserve our rights. The findings of a WTO dispute settlement panel *cannot* force us to change our laws. Only the United States determines exactly how it will respond to the recommendations of a WTO panel, if at all. If a U.S. measure is ever found to be in violation of a WTO provision, the United States may on its own decide to change the law; compensate a foreign country by lowering trade barriers of equivalent amount in another sector; or do nothing and possibly undergo retaliation by the affected country in the form of increased barriers to U.S. exports of an equivalent amount. But America retains full sovereignty in its decision of whether or not to implement a panel recommendation.

Q: *Do the rules of the WTO affect our environment, health and safety standards?*

A: Each WTO member remains free to set its own appropriate levels of environment, health and safety protections, and the United States is committed to maintaining high levels of such protection. The WTO Agreements simply provide that the environment, health, and safety standards chosen by governments be fair and transparent, and not be used as disguised barriers to trade.

Moreover, it is important to recognize that trade liberalization can yield direct benefits to the environment, health and safety. The WTO's Preamble establishes sustainable

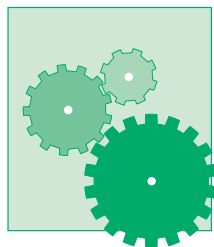


development as a fundamental objective of the trading system, and encourages members to pursue such opportunities. For example, by eliminating tariffs and other barriers to trade in environmental goods and services—such as clean coal technology, waste-water treatment

and pollution monitoring equipment—we ease the task of providing people with clean air, clean water, and improved public health. By reducing trade barriers in efficient energy technologies, nations can produce more power with less emission of greenhouse gases. Finally, by disciplining trade-distorting subsidies that can also harm the environment, in areas such as fisheries, we can move toward sustainable management of natural resources.

Q: *Does increased trade lead to job shifting?*

- A: Increased trade increases the total number of better-paying jobs for Americans, and stretches the paychecks of American workers. With any economy that is growing, potential rewards are great, but growth also leads to job dislocations, as firms enter and exit the economy, or expand or contract. Dislocations occur for a number of reasons, but by far the most important cause is technological change. Economic studies consistently find that trade is a relatively small factor in overall job losses. Some studies have shown that more than ninety percent of all job displacements in manufacturing,



for example, are due to factors other than trade. WTO rules respect our right to maintain high labor standards, and the Agreements will continue to be overwhelmingly beneficial to Americans by creating substantial numbers of better-paying jobs in the United States. Nevertheless, assistance to those men and women who have lost their jobs, whether it is due to technological change, defense conversion, or trade, is a priority.

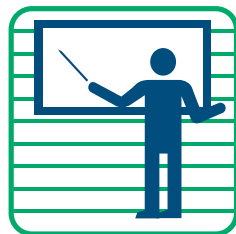
Q: What are we doing to assist workers to take advantage of the new opportunities?

A: The most important thing we can do for American workers and their families is to create a growing, healthy economy which generates new jobs. Since 1993, trade policy, together with investment in education and fiscal discipline, has helped us do so. We are now enjoying America's longest peacetime expansion ever. Unemployment is at its lowest rate in 29 years. Long-term inflation is low, wages are rising, and we have created a net gain of more than 18 million new jobs since President Clinton took office.

However, as the dynamic forces of technology and competition spur economic growth, job dislocations can occur. The Administration is working to help these families manage change and succeed in the new environment. To promote a secure workforce, the President's budget aims to create a 21st century reemployment system. The Administration's plan includes \$368 million for a Universal Reemployment Initiative. This proposal is intended to ensure that within five years workers who lose a job through no fault of their own can receive reemployment services through One-Stop Career Centers and other programs. A total of over \$1.5 billion, an increase of \$190 million, is requested to provide job search assistance, skill training, and related services to help workers find jobs as quickly as possible. The Administration also proposes the

consolidation and reform of existing trade adjustment assistance programs, in order to strengthen the safety net and create a single program that serves all workers.

To take advantage of the new opportunities in the economy, the Administration has a broad strategy to ensure that American workers are the most educated and productive in the world. To expand educational opportunity, the President's plan would add 100,000 new teachers to our schools in order to reduce classroom size to a national average of 18, and includes a 20 percent increase for education technology to ensure that every student has access to computers, the Internet, and high-quality educational software. Throughout the



country, 47,000 schools and libraries are being connected to the Internet. Furthermore, 5.5 million students are expected to benefit from the \$1500 HOPE scholarship, a tuition tax credit to make the first two years of college or other post-secondary training universally available. 7.2 million students and working Americans pursuing lifelong learning to upgrade their skills will benefit from the Lifetime Learning Credit, which offers a 20% tax credit for the first \$5,000 of tuition and fees.

The President has also called for affordable child care for working families, and an increase in the minimum wage, so that hard-working Americans are given the raise they deserve.

Q: *Where do we go from here?*

A: For all the benefits that have been gained from the trading system over the past five decades, more remains to be done in opening foreign markets to American goods and services, and expanding the sales and payrolls of U.S. com-

panies by addressing additional obstacles to trade in manufacturing, agriculture, and services. Trade barriers in other countries are still higher than our own, and these barriers amount to lost opportunities for American workers and firms. Recognizing this, the President has called upon the nations of the world to join the United States in a new Round of trade negotiations, beginning at the WTO Ministerial meeting in Seattle, Washington this year. Hosting the Ministerial will ensure that the United States is at the forefront of shaping the 21st century economy, and that we will continue on the path toward prosperity, jobs, growth, and higher living standards for our people. Working through the WTO, we can speed the economic and social progress the global economy creates, while improving the lives of working people, protecting the environment and advancing the values—freedom, fairness, open government, rule of law—we all share as Americans.



Charlene Barshefsky
United States
Trade Representative



Additional information can be found at:
www.ustr.gov and www.wto.org